



CDIAC Fundamentals of Debt Financing

Role of the Issuer

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October 1, 2009

Establishing an Evaluation Framework



- **Capital Planning**

- Coordination with internal City/Agency departments
- 5-Year CIP
- Long-range financial plan

- **Define Financial and Policy Objectives**

- Amount(s) needed
- IRS requirement: reasonably expect to spend 85% of proceeds within 3 years

- **Develop an Evaluation Framework**

1. Project viability
 2. Affordability
- Pay-Go vs. Debt Financing
 - Alternative Sources of Funding

Developing a Plan of Finance



- **Determine Method of Financing**
 - Pay-Go / Cash / Reserves
 - Debt Financing
 - Bond vs. Bank Loan / Private Placement
 - Combination
- **Determine basic debt structure**
 - Fixed vs. Variable
 - Short-term s. Long-term
 - Debt profile
 - Refunding: required NPV /cash flow savings
- **Determine Method of Sale**
 - Competitive vs. Negotiated
- **Select Remainder of Financing Team**

Managing the Financing Process



Implementing the Plan of Finance

- **Establish deal parameters: financing team members, compensation, policy objectives, structure and timeline**
- **Select underwriting team / other financing team members**
- **Coordinate internal coordination process**
- **Manage the “message” to marketplace**
- **Post-sale administration**
 - Arbitrage rebate
 - Continuing disclosure

Financing Team



Internal

External



Finance Director serves as a liaison between the external and internal teams



Finance Officer's Role in Debt Issuance



Manage external parties in bond sale

- Select and assign duties to outside finance team participants
- Select the method of sale
- Negotiate business points of the transaction
- Ensure consistent, accurate and complete disclosure to marketplace
- Control the project and timeline
- Post-sale evaluation of financing team members

The RFP Process



The RFP Process

- **Keep it short and focused – you will be reading them!**
- **Establish a pool with subsequent mini-RFPs**
- **Questions that allows parties to demonstrate understanding of problem at hand**
- **How do you determine qualifications**
 - SDC Rankings
 - Case Studies & References
- **E-mail submissions**
- **Interviews**

Continuing Disclosure



- **Issuer Website**

- CAFR
- Official Statements
- Continuing Disclosure Report

- **MSRB (EMMA)**

- www.emma.msrb.org

- **Communication with rating agencies and investors**

- Early and often
- If in doubt, disclose



City of OAKLAND California

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Neighborhood and resident services

Business in Oakland
Opportunities, Incentives, Permits

Visiting Oakland
Fun things to see and do

City Hall
Elected Offices, City Services

Welcome to Oakland
The Model City

Model City Vision
Key Accomplishments
Economic Stimulus

Learn more about recreation on and around Lake Merritt at:
Oakland Parks & Recreation Website

English
Equal Access to City Services
Removing language barriers

Español
Acceso Equitativo a los Servicios de la Ciudad
Eliminamos las barreras del idioma

中文
平等使用市政服務 -- 消除語言障礙

Frequently Visited Pages:
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News Events Website Highlights

Wildfire Prevention

City of Oakland Bonds

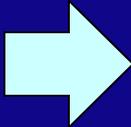
Measure DD
Clean Water & Safe Parks

Measure Y

Cable Franchise Information

Central Estuary Specific Plan

Broadway/Valdez District Specific Plan



City of Oakland contact the city | home

living business visiting city hall

Finance and Management Agency
TREASURY

The Treasury Division is responsible for two primary functions:

1-cash management, and
2-debt management for the City, the Port of Oakland (cash management only) and the Redevelopment Agency, with the ultimate objective of optimizing the City's resources, and cash-related services, including:

1-cash collection,
2-banking services,
3-asset management, and
4-petty cash management.

The associated services include

1-establishing a depository for all City revenues,
2-providing a cashiering function for City departments,
3-providing and monitoring banking services, and
4-managing investments

so as to ensure safety, diversity, liquidity and return.

Treasury further carries out ongoing analysis and reporting on these functions.

Payroll
Summary of Debt Outstanding
Official Statements
Continuing Disclosure Document
Rating Agencies/Credit Reports
Trustees
Financial Policies
Investment / Financial Reports
Budget / CAFR
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SEC Rule 15c2-12



- **Rule 15c2-12 has two basic elements:**

1. Requires substantially final “preliminary official statement”
2. Written continuing disclosure agreement to provide continuing disclosure with respect to those Bonds.

Continuing Disclosure Obligations Under Rule 15c2-12:

- By a specified date, annual financial and operating information for the Governmental Issuer and each other Obligated Person for whom financial information or operating data is presented in the official statement (an “Annual Information Filing”);
- When and if available, audited annual financial statements for Obligated Persons (“Audits”);
- Notice of the occurrence of one of eleven material events;
- Notice of a failure of any person required to provide the Annual Information Filing referred to above, on or before the date specified in the continuing disclosure agreement (“Notice of Failure”).

Annual Information Filing & Audit Requirements



Continuing disclosure agreements must address the following:

- The specific financial information and operating data to be provided
- What financial statements are to be filed and when
- In reasonable detail, the accounting principles pursuant to which financial statements will be prepared, and whether the financial statements will be audited
- The date each year by which annual financial information will be provided.

11 Material Events



1. Principal and interest payment delinquencies
2. Nonpayment-related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds
7. Modifications to rights of bondholders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the Bonds
11. Rating changes

Post-Sale Evaluation



- **Consider post-sale evaluations for all team members**

- Memorializes performance of key financing team members: financial advisor, underwriter, bond counsel
- Justification for future use of firm

- **Criteria**

- Evaluate Underwriter performance by using post-sale pricing book
- Pricing relative to other similar bond issues (size, credit, structure, sale date, etc.)
- Timeliness of document execution
- Problem solving orientation / good ideas
- Service

Questions?



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